

Stenehjem,Carlene R - DKC-7

From: on behalf of BPA Public Involvement

Subject: FW: Comment on BPA Proposed Interpretation of 4(c)(10)(B)

[mailto:rcavanagh@nrdc.org]

Sent: Thursday, June 22, 2006 11:35 AM

To: BPA Public Involvement

Subject: Comment on BPA Proposed Interpretation of 4(c)(10)(B)

BPA colleagues: I agree with Jim Lazar's comment below, and I note also my view that when calculating the Council's funding limit, BPA is also legally obligated to include the amount of load that the agency is serving with conservation resources. By BPA's own accounting, it is serving 890 aMW of load with this resource, which was acquired between 1982 and 2005 for \$2.1 billion in ratepayer funds. (See Bonneville Power Administration, "Conservation Resource Energy Data - The Red Book" April 2006, Figure 1, page 1). BPA states in the cover letter to the "Red Book" that the document is to serve as BPA's "official" data until a new Red Book is published.

-----Original Message-----

From: Jim Lazar

Sent: Tuesday, June 20, 2006 11:29 AM

Subject: Comment on BPA Proposed Interpretation of 4(c)(10)(B)

This comment is submitted in response to the BPA request for comment on the BPA Proposed Interpretation of 4(c)(10)(B)

The BPA interpretation is correct. IOU Exchange Loads should be included in the factor upon which the calculation of the funding limit for the Council is based.

Congress always intended that the Residential Exchange be a power transaction. BPA has an obligation to offer to sell power to the exchange-eligible utilities. BPA does NOT have an obligation to buy power from them. It has the option to acquire needed power from other sources if it can find a lower-cost source of power to meet the Exchange utility power requirements (see 16USC839c(c)5, below). If BPA had exercised this statutory option to deal with high costs of IOU power, there would be no doubt that the Exchange was a power sale.

The fact that BPA used methods OTHER than those provided by the Act to constrain the level of the IOU exchange net benefits should not be used as a ruse to limit funding to the Council below levels anticipated by Congress.

The Congress estimated that firm sales in 1995 would reach 16,676 average megawatts. See page 70, Senate Committee Report 96-272, line 34. included in the BPA Green Book published by the BPA Library, March, 1981. That works out to 146 billion kilowatt-hours, implying a funding limit of \$14.6 million. The proposed funding limit, closer to \$10 million, is significantly less (for 2006) than Congress anticipated would be available a decade earlier.

This, however, is a premonition of a larger problem for the Council funding: The funding limit is on a per-kWh basis. At the time of Passage, BPA and the Congress anticipated that BPA would be meeting substantially all incremental regional power loads -- including both IOU and POU load growth. Therefore, the funding limit would keep up with sales (but not with inflation). BPA is progressing along a track by which it would be meeting little or no regional load growth. This creates a virtually insurmountable future obstacle for Council funding, since the underlying metric does not track inflation, and the metric it does track (sales) is likely to stall for many years.

BPA, the Council, and the Congress need to address this issue, or the Council will be doomed to having it's (real) funding decline annually at the rate of inflation, until it is little more than another unimportant citizen advisory committee.

*839c(c)(5). Subject to the provisions of sections 839b and 839d of this title, in lieu of purchasing any amount of electric power offered by a utility under paragraph (1) of this subsection, the Administrator may acquire an equivalent amount of electric power from other sources to replace power **sold to such utility as part of an exchange sale** if the cost of such acquisition is less than the cost of purchasing the electric power offered by such utility. [Northwest Power Act, §5(c)(5), 94 Stat. 2714.]*

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Jim Lazar, Consulting Economist